

# **FISCAL NOTE**

## **SB 1834 - HB 1792**

March 10, 2005

**SUMMARY OF BILL:** Repeals the local option sales tax and replaces it with an allocation to local governments from the General Fund. Requires that the FY06 allocation to local governments be 104% of the allocation for FY05. Allocations for FY07 and subsequent fiscal years would be the previous year's allocation multiplied by the rate of growth in state sales tax collections.

### **ESTIMATED FISCAL IMPACT:**

**Increase State Revenues - \$303,800,000**

**Increase State Expenditures – \$1,736,000,000 Recurring  
\$88,000 One-Time**

**Other Fiscal Impact – Local government revenues would increase by 4% (or approximately \$67,000,000) in FY06 as a result of the allocation proposed in this bill. However, to the extent state sales tax collections grow in FY07 and thereafter, the allocation to local governments would grow by the same growth percentage rate.**

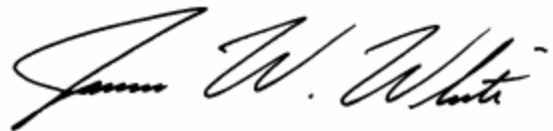
#### Assumptions:

- Fiscal impact of this bill is dependent on actual local sales tax collections for FY05.
- FY04 local sales tax collections were approximately \$1.602 billion.
- Year-to-date growth is approximately 4.2%.
- FY05 local sales tax collections are estimated at \$1.669 billion (\$1.602 billion X 4.2% growth = \$1.669 billion).
- Estimated impact for FY06 would be \$1.736 billion (\$1.669 billion X 4% = \$1.736 billion).
- Increase of state expenditures estimated at \$1.736 billion.
- Eliminating the local option sales tax would create an injection of disposable income into the state's economy thus increasing consumer expenditures.
- Economic multiplier of 2.5.

- Estimated increase to the state sales tax base is approximately \$4.34 billion ( $\$1.736 \text{ billion} \times 2.5 \text{ multiplier} = \$4.34 \text{ billion}$ ).
- Increase to state revenues is estimated at \$303.8 million per year ( $\$4.34 \text{ billion} \times 7\% \text{ state sales tax rate} = \$303.8 \text{ million}$ ).
- Computer programming and software modifications required by the Department of Revenue is estimated at \$88,000.

**CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director